



PSC NEWS

Missouri Public Service Commission

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PSC ISSUES ORDERS IN LACLEDE PIPELINE REPLACEMENT CASES

Jefferson City (March 10, 2004)---The Missouri Public Service Commission has approved a recommendation made by the PSC Staff which continues a copper service line replacement program for Laclede Gas Company. In a separate order, the Commission approved recommendations establishing the replacement requirements for the final phase of Laclede's unprotected steel main replacement program.

Copper Service Line Replacement Program: In May of 2000, the Commission approved an agreement filed by the PSC Staff, the Office of the Public Counsel and Laclede Gas Company regarding a copper service line replacement program for Laclede Gas Company. The PSC Staff had asked the Commission to open a case to evaluate the adequacy of Laclede Gas Company's direct-buried copper service line replacement program and the effectiveness of Laclede's leak survey procedures.

Under the agreement, the PSC Staff and Laclede Gas Company were to review the progress and results of the program after three years to determine future relay/renewal plans, including the rate of such future action and potential modifications to survey techniques and other related matters.

On August 1, 2003, the PSC Staff filed its three-year summary report. As part of that report, Staff recommended that the Commission continue the current requirements of the agreement. Staff stated that the requirements of the Copper Service Line Replacement Program reflect the overall goals of protecting the public, achieving a substantial number of replacements annually, using effective leak detection methods, and making timely repairs, while also being mindful of ratepayers' costs. Staff suggested that Laclede met or exceeded the guidelines of the agreement and that the crucial goal of public safety is being maintained.

As a result of the agreement, Laclede has replaced or eliminated a total of 26,246 direct-buried copper service lines during the first three years of the program, which represents approximately 34 percent of the program's beginning total qualifying lines. Laclede, under the agreement, will continue to relay a minimum of 8,000 direct-buried copper service lines a year until all direct-buried copper service lines qualifying for replacement have been replaced.

As part of the Commission's order in this case, Laclede will continue to perform annual bar-hole surveys over direct-buried copper service lines. Staff believes these annual bar-hole leak surveys will allow for a consistent measurement of leak detection trends.

The Commission's order regarding continuation of the direct-buried copper service line

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replacement program states: “The information presented suggests the Copper Service Line Replacement Program is working as intended, and that many of the Program’s goals have been achieved at a pace that exceeds the Program’s original requirements. The Commission finds that Laclede should continue the current requirements of the Stipulation and Agreement, which was approved on May 18, 2000.”

The Commission also issued an order addressing the final phase of the Company’s unprotected steel main replacement program previously approved by the Public Service Commission.

Unprotected Steel Main Replacement Program: In April of 1990, the Commission issued an order approving a formal replacement program for unprotected steel mains for Laclede. Among other things, the program provided for the replacement of 30,000 feet per year in fiscal years 1991 through 1995 for those unprotected steel mains that fall under certain categories for replacement. The Commission later approved a revision to the program, effective October of 1994, establishing a modified replacement schedule based on the declining corrosion rate of unprotected steel mains remaining in service (requirement was modified to 20,000 feet per year for years 1996 through 1998). Even after 1998, Laclede continued the replacement level of 20,000 feet per year.

In a May 21, 2003, filing, Laclede Gas Company requested authority from the Public Service Commission to replace unprotected steel mains at an average annual rate of 10,000 feet per year until all remaining mains identified in Commission rules and regulations have been replaced. According to Laclede and the PSC Staff, the adoption of the requirement to replace 10,000 feet per year will not compromise public safety.

Laclede noted in its application that although the 1994 revised schedule did not specify a replacement requirement beyond fiscal year 1998, the natural gas company continued replacing the mains at an average rate of 20,000 feet per year during the fiscal years 1999 through 2002. Laclede states that it has accelerated replacement when public safety required it.

The PSC Staff recommended the application be approved noting that while the proposed annual replacement rate has been revised from 20,000 to 10,000 feet per year, a large majority of unprotected steel mains with corrosion history have already been replaced.

The Commission noted in its order: “The Commission finds that the information presented suggests that Laclede has experienced a continuing and significant decline in the corrosion leak rates for the mains at issue. Staff (PSC Staff) and Laclede agree that the leak rate has declined to the point where replacement can be safely done at the rate of 10,000 feet per year. The Commission notes that this modified replacement schedule still exceeds the existing requirements of the previously approved replacement program in that it would mandate, for the first time, that the entire quantity of unprotected steel main footage identified in this section be replaced, pursuant to 4 CSR 240-40.030(15)(E)3-6. The Commission finds that Laclede’s request to revise the final phase of its Unprotected Steel Main Replacement Program is reasonable.”

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